



DATE: April 17, 2019

TO: James Mitchell, Chair, City Council Economic Development Committee
Ed Driggs, Vice Chair, City Council Economic Development Committee
Julie Eiselt, Member, City Council Economic Development Committee
Justin Harlow, Member, City Council Economic Development Committee
Matt Newton, Member, City Council Economic Development Committee

From: Keith Luedeman, Interim Executive Director, Innovate Charlotte

RE: Charlotte Startup Data – Economic Development Committee Follow Up Request

Overview

Jobs. They are what bring citizens to cities, and to stay as their careers progress. They create opportunity for upward mobility, and are the enabler to the American dream.

Charlotte has done well recruiting companies to our great city, bolstering the job opportunities. This memo today is not to talk about those jobs, but the impact of startups and the jobs they bring.

Our City and County have a great formula for recruiting large companies and measuring their impact. The methodology is sound and supportable. The results are positive. While working with the City and County Economic Development teams, I developed a new respect for what goes on in the process of recruiting large companies to Charlotte.

The team that worked on the data project detailed below is Holly Eskridge, Dan Roselli, Dave Jones, Tariq Bokhari and myself.

Reality Around Startup Jobs

Being from the startup world, I was curious as to the impact of startup jobs. My gut told me it was a big impact. Looking at \$1billion plus valued companies like AvidXChange, Tresata, Red Ventures and Peak 10 – it's easy to count the thousands of jobs they are bringing to our region and the talent they recruit to our metro area.

Further down the size chain, I also noticed many mid-size companies creating hundreds of jobs. Examples in like my company, goodmortgage.com, and others such as Skookum, Passport, Jackrabbit, DealCloud, Kingsman Software, and MapAnything are thriving here both in revenue and job creation.

These companies raise investment dollars from outside the region. These dollars do not sit in founder's bank accounts, they are spent almost immediately on office space, computers, furniture, and talent – causing direct injections to our local economy. Often these are the creative companies that shape part of our city's character and vibrancy with a diverse employment base.

Struggling with Measurements

Finding an accurate and defensive methodology to measure the number and salaries of startup jobs has been challenging. Many surveys have been attempted, and many busy companies don't respond.

Public census records were tried, but didn't have the data we needed to give a strong and reliable number. An accurate and well-defined measurement was needed to give data the startup ecosystem can rely on.

Since startup founders like to find solutions instead of stopping when they encounter problems, in my new role at Innovate Charlotte, put together a team to embarked on a journey to solve this data problem.

The Methodology

Through networking and knocking on many doors, we eventually found the data-keepers at the North Carolina Department of Commerce who would compile the data needed. Our team used resources from NC IDEA, UNCC and CharlotteWorks to get to the right people and to convince them to create and distribute this data to us.

Every company that has W-2 employees has to report on their employees and payroll each year to determine their unemployment insurance rate for the following year. The number of jobs

created was calculated by looking at employers who paid for unemployment insurance for the first time in any given year in the Charlotte MSA. To make sure we included startups, and not relocation of existing companies, we limited the data set to employers that reported with 20 or fewer employees in year one to eliminate the counting of any relocation jobs by larger companies.

Then we followed these companies going forward, counting their additional job creation and destruction, to give an accurate count of net new jobs by startups. We then refined the results adding salary levels, and for comparison, the same data for ALL companies as we thought it would be useful to know how startups compared to the entire job market.

Results

In 2018, startups formed between 2014 and 2018 created 13,134 net new jobs (new jobs minus jobs eliminated). This is down from 13,487 in 2017, and 14,388 in 2016.

The salaries for these jobs totaled \$654,467,220.00 in calendar year 2018 in the Charlotte MSA.

We then looked at all companies, which created 99,037 new jobs while eliminating 77,998 jobs for a net addition of 21,039 for total net new jobs across all companies – startup and established.

This provided statistical evidence of the power of entrepreneurs - startups alone in the Charlotte MSA added 62.5% of all the new jobs in 2018.

In Conclusion

These numbers are real and current. They are not estimates or guesses. While we would like additional data points like percent of minority and women owned startups – the results above are all we have access to at this time.

What we do know for certain is startups are an important part of our local economy, and we should continue to nurture and assist these companies as they go through the stages of ideation, formation, launch, growth, investment and potential exits. They possess unique needs that our larger companies do not have. Working with startups is a multi-year effort. The work done today shows impact three or more years later, but if we don't start today, next year we are three more years behind.

Charlotte is competing with many cities and opportunities for these jobs and job creators. I believe Charlotte has a unique opportunity to capitalize on our startups base that will serve as

an economic engine well into the future. I compare it to a flywheel. It takes effort to get the wheel turning, but once turning, it's hard to stop.

I look forward to presenting April 25 how Innovate Charlotte is supporting startups and discuss how we can continue in our partnership developing this critical economic asset.